

**(CONVENIENCE TRANSLATION OF A REPORT ORIGINALLY
ISSUED IN TURKISH)**

SASA POLYESTER SANAYİ A.Ş.

**FINANCIAL STATEMENTS AND INDEPENDENT REVIEW
REPORT FOR THE INTERIM PERIOD BETWEEN
1 JANUARY – 30 JUNE 2014**



Building a better
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(Convenience translation of a review report originally issued in Turkish)

Review Report on the Interim Financial Information

To the Board of Directors of Sasa Polyester Sanayi A.Ş.

Introduction

We have reviewed the accompanying financial statements of Sasa Polyester Sanayi A.Ş. (“the Company”) as of June 30, 2014, which comprise the statement of financial position and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the six-month-period then ended and a summary of significant accounting policies and explanatory notes. The management of the Company is responsible for the preparation and fair presentation of the interim financial information in accordance with the Turkish Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.


Scope of review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Turkish Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention which may cause us to conclude that the accompanying interim financial information of Sasa Polyester Sanayi A.Ş. does not give a true and fair view of financial position and financial performance of the Company as of June 30, 2014, and its cash flows for the six-month period then ended in accordance with the Turkish Accounting Standards.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Metin Canoğulları, SMMM
Engagement Partner

August 11, 2014
Istanbul, Turkey

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SASA POLYESTER SANAYİ A.Ş.

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

		Current Period	Restated Note 2.2
		(Reviewed)	Prior Period
	Notes	30 June 2014	31 December 2013
ASSETS			
Current Assets		452.285	436.566
Cash and Cash Equivalents	3	6.532	600
Trade Receivables	6	236.958	233.921
- Other Trade Receivables		236.958	233.921
Other Receivables	8	1.175	1.453
- Other Receivables		721	1.281
- Other Receivables from Related Parties		454	172
Inventory	9	178.077	187.061
Prepaid Expenses	10	4.760	932
Other Current Assets	18	18.372	6.027
Assets Held for Sale	14	6.411	6.572
Non-Current Assets		207.145	215.473
Trade Receivables	6	-	106
Other Receivables	8	55	55
Investment Properties	11	1.134	1.229
Tangible Assets	12	150.185	150.617
Intangible Assets	13	2.849	2.865
Prepaid Expenses	10	79	200
Deferred Tax Assets	27	2.748	1.162
Other Non-Current Assets	18	50.095	59.239
TOTAL ASSETS		659.430	652.039
LIABILITIES			
Current Liabilities		353.256	376.074
Short-Term Borrowings	5	179.653	132.203
Current Portion of Long-Term Borrowings	5	4.285	2.058
Trade Payables	6	154.566	233.117
- Other Trade Payables		145.160	221.728
- Trade Payables to Related Parties		9.406	11.389
Employee Benefit Obligations	7	3.957	3.144
Other Payables	8	7.524	2.411
- Other Payables to Third Parties		7.524	2.410
- Other Payables to Related Parties		-	1
Current Provisions		3.271	3.141
-Short-Term Provisions	15	2.724	2.991
-Short-Term Provisions for Employment Benefits	17	547	150
Non-Current Liabilities		24.378	26.050
Financial Liabilities	5	6.000	8.232
Long-Term Provisions		18.378	17.818
Long-Term Provisions for Employment Benefits	17	18.378	17.818
EQUITY		281.796	249.915
Share Capital	20	216.300	216.300
Share Capital Inflation Adjustments	20	196.213	196.213
Actuarial Loss Fund for Employee Termination Benefits	20	(1.114)	(1.114)
Restricted Reserves	20	5.356	5.356
Accumulated Losses	20	(166.840)	(173.081)
Net Profit /(Loss) for the Period		31.881	6.241
TOTAL LIABILITIES		659.430	652.039

The accompanying notes form an integral part of these interim financial statements.

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**INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR
BETWEEN 1 JANUARY - 30 JUNE 2014**

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

		Current Period (Reviewed)	Current Period (Not Audited)	Prior Period (Audited)	Prior Period (Not Audited)
	Notes	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
CONTINUING OPERATIONS					
Revenue (Net)	21	624.126	301.058	534.587	265.514
Cost of Sales (-)	21	(552.693)	(268.126)	(504.460)	(248.336)
GROSS PROFIT		71.433	32.932	30.127	17.178
General Administrative Expenses (-)	22	(7.906)	(4.086)	(7.758)	(3.878)
Marketing, Sales and Distribution Expenses (-)	22	(25.664)	(12.557)	(17.927)	(9.138)
Research and Development Expenses (-)	22	(928)	(475)	(1.277)	(628)
Other Operating Income	24	46.331	24.458	40.144	23.968
Other Operating Expenses (-)	24	(45.912)	(24.127)	(28.257)	(17.808)
OPERATING PROFIT		37.354	16.145	15.052	9.694
Investment Income	23	-	-	112	112
Investment Expenses (-)	23	-	-	(1)	(1)
Financial Income	25	2.772	1.274	1.520	602
Financial Expenses (-)	26	(9.831)	(3.488)	(16.276)	(10.124)
OPERATING (LOSS) / PROFIT BEFORE TAX		30.295	13.931	407	283
Tax Benefit / (Expense)		1.586	241	370	250
- Current Tax Expense		-	-	-	-
- Deferred Tax Income / (Expense)	27	1.586	241	370	250
PROFIT FOR THE PERIOD		31.881	14.172	777	533
Other Comprehensive Income / (Expense)					
Actuarial Loss Arising from Employee Benefits		-	-	-	-
Cash Flow Hedge Losses		-	-	(2.640)	-
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		31.881	14.172	(1.863)	533
Earnings per share (Thousand)	28	1,47	0,66	0,04	0,02
Diluted earnings per share (Thousand)		1,47	0,66	0,04	0,02

The accompanying notes form an integral part of these interim financial statements.

(CONVENIENCE TRANSLATION INTO ENGLISH OF INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

SASA POLYESTER SANAYİ A.Ş.

**CHANGES IN SHAREHOLDERS' EQUITY
FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2014**

(Amounts expressed in thousands of Turkish Lira("TL")) unless otherwise indicated

	Notes	Paid in Capital	Inflation Adjustment to Shareholders Equity	Other comprehensive income / (expense) not in the reclassified to profit or loss		Hedging Fund Reserve	Restricted Reserves	Accumulated Losses / Retained Earnings	Total Equity
				Other comprehensive income / (expense) not in the reclassified to profit or loss	Other comprehensive income / (expense) to be reclassified to profit or loss				
Balance at 1 January 2013	20	216.300	196.213	(1.114)	-	5.356	(173.081)	243.674	
Net Profit for the Period		-	-	-	-	-	777	777	
Other Comprehensive Income		-	-	(2.640)	(2.640)	-	-	(2.640)	
Total Comprehensive Income / (Loss)		-	-	(2.640)	(2.640)	-	777	(1.863)	
Balance at 30 June 2013	20	216.300	196.213	(1.114)	(2.640)	5.356	(172.304)	241.811	
Balance at 1 January 2014	20	216.300	196.213	(1.114)	-	5.356	(166.840)	249.915	
Net Profit for the Period		-	-	-	-	-	31.881	31.881	
Other Comprehensive Income		-	-	-	-	-	-	-	
Total Comprehensive Income / (Loss)		-	-	-	-	-	31.881	31.881	
Balance at 30 June 2014	20	216.300	196.213	(1.114)	-	5.356	(134.959)	281.796	

The accompanying notes form an integral part of these interim financial statements.

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**CASH FLOWS FOR THE INTERIM PERIOD
BETWEEN 1 JANUARY – 30 JUNE 2014**

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

		Current Period	Prior Period
		(Reviewed)	(Reviewed)
	Notes	1 January - 30 June 2014	1 January - 30 June 2013
Profit/ (Loss) before taxation		30.295	407
Cash Flows from operating activities			
Depreciation and amortization expense	11,12,13	10.718	10.515
Interest expense	26	7.450	6.154
Gain on sale of fixed assets	23	-	(112)
Change in provision for employee benefits	17	3.187	3.096
Changes in provisions	15	234	981
Interest income from bank deposits	25	(142)	(4)
Rediscount interest income (net)	6	(1.218)	(201)
Provision for doubtful receivable	6	374	-
Provision for impairment inventories-net	9	2.600	(535)
Operating cash flows provided before changes in working capital:		53.498	20.301
Changes in operating assets and liabilities:			
Changes in trade receivable	6	(2.557)	(53.391)
Changes in due from related parties	6,8	(282)	249
Changes in inventories	9	(2.525)	36.759
Changes in other receivables	8	560	(6.925)
Changes in prepaid expenses	10	(3.828)	(6.681)
Changes in other current assets	18	(12.345)	-
Changes in other non-current assets	18	9.144	18.988
Changes in trade payables	6	(76.575)	52.655
Changes in due to related parties	6,8	(1.984)	551
Changes in debt for employee termination benefits	7	813	2.056
Changes in other long term liabilities	8	-	(133)
Changes in other short term liabilities	8	6.332	(2.943)
Net cash generated by operating activities:		(29.749)	61.486
Employment termination benefits paid	17	(1.229)	(1.857)
Changes in premium provision	17	(1.000)	(700)
Tax payable paid	8	(1.218)	(3.655)
Net cash used in operating activities		(33.196)	55.274
Investing activities:			
Purchase of property, plant and equipment and intangible assets	12,13	(1.106)	(1.982)
Proceeds from sale of property, plant	11,12,13	-	933
Net cash used in investing activities		(1.106)	(1.049)
Financing activities:			
Bank loans received	5	156.419	550.790
Interest paid	26	(4.498)	(10.782)
Interest received	25	142	4
Repayment of borrowings	5	(111.829)	(596.013)
Repayment of financial leaseings	5	-	(92)
Net cash generated by financing activities		40.234	(56.093)
Net increase / (decrease) in cash and cash equivalents	3	5.932	(1.868)
Cash and cash equivalents at the beginning of the period	3	600	3.785
Cash and cash equivalents at the end of the period	3	6.532	1.917

The accompanying notes form an integral part of these interim financial statements.

SASA POLYESTER SANAYİ A.Ş.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Sasa Polyester Sanayi A.Ş. (the "Company") was incorporated on 8 November 1966 in Adana. The Company is mainly engaged in the production and marketing of polyester fibre, yarns and related products and polyester chips. The Company is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding") and accordingly its ultimate parent company is Sabancı Holding.(*). Shares of the Company are quoted on the Borsa Istanbul A.Ş..

The address of the registered office is Yolgeçen Mahallesi Turhan Cemal Beriker Bulvarı No:559 01355 Seyhan/Adana.

As of 30 June 2014, number of employees of the Company is 1.072 (31 December 2013: 1.087).

(*) The Share Purchase Agreement was signed on 9 April 2014 regarding the sale of all shares of Hacı Ömer Sabancı Holding A.Ş.in SASA Polyester Sanayi A.Ş with a nominal value of 110.313.001,18 TL corresponding to 51 % of the share capital of the Company, to Indorama Netherlands B.V. established in the Netherlands as a subsidiary of Thailand-based Indorama Ventures Public Company Limited. The shares will be transferred upon the approvals of the relevant authorities.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

Basis of Preparation of Financial Statements and Significant Accounting Policies

The interim condensed financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Accounting Standards") on 13 June 2012 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Accounting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority ("POA").

The Company has prepared its financial statements for the interim period ended June 30, 2013 in accordance with Turkish Accounting Standard, numbered 34 Interim Financial Reporting.

According to decision which was made by CMB on March 17, 2005, from the date of January 1, 2005 there is no need for inflation accounting application for the listed companies performing in Turkey. The Company has prepared the financial statements according to this decision.

Functional and representative currency of the Company is TL.

The interim financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Accounting Standards of the POA.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.1 Basis of preparation (continued)

The financial statements are prepared according to the historical cost basis.

Financial statements are approved for declaration by Board of Directors on August 11, 2014 and signed by General Manager Toker Özcan and Director of Finance Metin Akyüz on behalf of the Board of Directors. The financial statements of the Company are subject to the approval of shareholders in the General Assembly and the shareholders possess the right to ask for amendment of these financial statements at the General Assembly after issuance.

2.2 Comparatives and restatement of prior periods' financial statements

For the purpose of following the financial conditions and performance trends the financial statements are presented with comparison to the prior year. When needed, the prior year financial statements can be reclassified for consistency with the current year's one and material differences can be revealed.

Employee benefits, actuarial income/losses related to employee termination benefits are recognized under equity. This practice is effective for the periods starting as of January 1, 2013 and has been implemented retrospectively.

Pursuant to the decree taken in the CMB's meeting dated June 7, 2013 and numbered 20/670, for capital market board institutions within the scope of the Communiqué on Principles Regarding Financial Reporting in the Capital Market, financial statement templates and a user guide have been published, effective as of the interim periods ended after March 31, 2013. Various classifications were made in the Company's statement of financial position pursuant to these formats which have taken effect.

The classifications made in the statement of financial position of the Company as of 31 December 2013 are as follows:

- Unused vacation allowance amounting to TL 1.618 presented in short term employee benefits were classified as long term employee benefits.

2.3 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.4 Changes in Accounting Policies

Changes in accounting policies are applied retrospectively and the financial tables for prior years are restated.

2.5 Changes in Accounting Estimates and Errors

The effect of a change in an accounting estimate is recognized prospectively in the year of the change, if the change affects that year only; or the year of the change and future years, if the change affects both. There has not been any significant change in the accounting estimates of the Company in the current year.

Changes in accounting policies are applied retrospectively and the financial statements for prior years are restated.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 New and Revised International Financial Reporting Standards

The accounting policies adopted in preparation of the interim financial statements as at 30 June 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the interim financial statements of the Company.

TRFS Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

TAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the interim condensed consolidated financial statements of the Company.

TAS 39 Financial Instruments: Recognition and Measurement (Amended)- Novation of Derivatives and Continuation of Hedge Accounting

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the interim condensed consolidated financial statements of the Company.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

TFRS 10 Consolidated Financial Statements (Amendment)

TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS. This amendment does not have any impact on the financial position or performance of the Company.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the interim financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its interim financial statements after the new standards and interpretations are issued and become effective under TFRS.

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective for annual reporting periods beginning on or after 1 July 2014.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Amendment to the Basis for Conclusions on IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Company do not expect that these amendments will have significant impact on the financial position or performance of the Company.

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Company.

IFRS 11 - Acquisition of an Interest in a Joint Operation (Amendment)

In May 2014 the IASB amended IFRS 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

In May 2014, the IASB issued amendments to IAS 16 and IAS 38, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment)– Bearer Plants

In June 2014, the IASB issued amendments that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.7 Significant Accounting Estimations and Decisions (continued)

Preparation of financial statements necessitates the usage of estimates and assumptions that can affect the amounts of reported assets and liabilities as at statement of financial position date, the explanation for the contingent assets and liabilities and the income and expenses reported during the accounting period. Although these estimates and assumptions are based on Company management's best estimates related with the current conditions and transactions, actual results may differ than these estimates.

Net Realizable Value of Inventory

Inventories are stated at the lower of cost and net realizable value. The Company Management has determined that the cost of inventories is higher than the realizable value as of the reporting date. The impairment calculation requires management to estimate the future cash flows expected to arise from the sale of inventories and the estimated selling price less all estimated costs of completion and costs necessary to make the sale. Based on the estimation made by the Management as of June 30, 2014 the cost of inventories was reduced by TL 3.873 (31 December 2013: TL 1.273) and it was recorded to cost of sales.

Determination of Recoverable Amount of Tangible Assets

As discussed in Note 12, the Company took into consideration the internal and external sources of information as described in TAS 36 "Impairment of Assets" as impairment indicators and performed a study based on discounted future cash flow models for the determination of the recoverable amount of the Company's tangible assets as at 30 June 2014. The future projections included in the subject study is heavily dependent on the demand of customers in the market. Moreover, the Company management foresees that weight of production and sale of the products with higher gross profit margin will increase in future periods. This study which is based on discounted future cash flows reflects the Company management's future estimations and assumptions.

Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TFRS purposes and financial statements prepared in accordance with the tax legislation. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could increase taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Company's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized. The Company has not recognized some of its deferred tax assets because it is not probable that taxable profit will be available sufficient to recognize deferred tax assets in this entity. If future results of operations exceed the Company's current expectations, the existing unrecognized deferred tax assets may be recognized, resulting in future tax benefits.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Retirement Pay Liability

Retirement benefit obligations' present value is determined through using certain assumptions under actuarial basis. These assumptions are also used in determining severance compensation's net expense and include the discount ratio. Any change in such assumptions affects the value of the registered retirement benefit obligation. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses. All actuarial gains and losses are recognized under the fund of actuarial loss/earnings fund for employee termination benefits under equity.

At the end of each year, the Company determines the appropriate discount ratio. This ratio is used to calculate for the fulfilment of obligations for severance compensation's present value of estimated future cash outflows (Note 17).

2.8 Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the financial statements are summarized below:

Revenue:

Revenue is recognized on accrual basis at the fair value of the amount obtained or to be obtained based on the assumptions that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Company is probable. Net sales are calculated after the sales returns and sales discounts are deducted.

Sale of goods:

Revenue from sale of goods is recognized when all the following conditions are met:

- Transformation the significant risks and benefits of ownership to the buyer by the Company.
- The absence of Company's continuing managerial involvement associated with ownership and effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Other Revenues are recognized in accordance with following;

Planning according to segments:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers of the Company. The chief operating decision makers, who are responsible for allocation resources and assessing performance of the operating segments, have been identified as the senior management that makes strategic decisions.

The senior management of the Company makes strategic decisions as a whole over the operations of the Company as the Company operates in a single industry and operations outside Turkey do not present an important portion in overall operations. Based on those reasons, there is a single reportable segment in accordance with the provisions in TFRS 8 and segment reporting is not applicable.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.8 Summary of Significant Accounting Policies (continued)

Rental income:

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Related Parties

Parties are considered related to the Company if

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity,
 - (ii) has significant influence over the reporting entity, or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others),
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
 - (iii) Both entities are joint ventures of the same third party,
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity,
 - (vi) The entity is controlled or jointly controlled by a person identified in (a),
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Tangible Assets

Tangible assets are carried at cost less accumulated depreciation and impairment loss if exists. Depreciation is provided over adjusted costs on a straight-line basis over the economic useful lives. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	<u>Yıllar</u>
Yer altı ve yerüstü	15 - 25
Binalar	18 - 40
Makine, tesis ve cihazlar	5 - 25
Taşıt araç ve gereçleri	3 - 5
Döşeme ve demirbaşlar	3 - 25

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of net selling price or value in use. Net selling price is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or cash generating unit plus the residual value.

Gains or losses on disposals of property, plant and equipment are included in the related income and expense accounts, as appropriate.

Leasing

Leasing – the Company as Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of minimum lease payments. The corresponding liability to the lesser is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit to loss, unless they are directly attributable to qualifying assets in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term. Contingent leases recognized as an expense as incurred.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Tangible Assets Held For Sale

According to the company management, tangible assets which are held for sale, which the sale accounting has been completed within 1 year from the statement of financial position date and which there is no active intention of holding the asset are valued with minimum of the book value and the fair value. The recovery of the book value doesn't depend on the usage of the relevant tangible asset but the sale of the tangible asset. For the tangible assets classified under current assets held for sale, the depreciation provision is stopped as of the date of the classification date.

Intangible Assets

Intangible assets comprise of acquired intellectual property and computer software. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period not exceeding 5 years from the date of acquisition. Where an indication of impairment exists, the carrying amounts of any intangible assets including goodwill are assessed and written down immediately to their recoverable amount.

Research and Development Costs

Research costs are expensed as incurred, costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and only if the cost can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in subsequent periods.

Financial Instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Receivables

Trade receivables, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortized cost using the effective interest method less any impairment.

Borrowings

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement as financial expense over the period of the borrowings. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the income statement when they are incurred (Note 5).

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which requires substantial period of time to get ready for its intended use or sale, shall be capitalized over the cost of the assets. Other borrowing costs shall be recognized as an expense in the period incurs.

Impairment of financial assets

Financial assets are reviewed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Monetary assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying value.

The fair values of cash and due from banks are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables are estimated to be their fair values due to the elimination of the credit finance income.

Financial liabilities

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Monetary liabilities

Fair value of bank loans and other monetary liabilities approximates to their carrying amount since they are short term liabilities. Fair value of items denominated in foreign currencies and translated at the rates prevailing at the balance sheet date approximates to their carrying amount.

Effects of changes in foreign currency

The Company's financial statements are presented in the currency of primary economic environment (its functional currency) in which it operates. The Company's financial condition and operating results, the Company's functional currency and presentation currency for financial statements are expressed in TL.

During the preparation of financial statements, transactions on foreign currency (currencies other than TL) are recorded on the base of currencies on transaction date. Monetary assets and liabilities denominated in foreign currencies on balance sheet translated into Turkish Lira using exchange rates prevailing on the statement of financial position date. None-monetary items carried at fair value that is being monitored are denominated in foreign currency, are retranslated into TL at the rates prevailing on the date fair value determined. None-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Exchange differences, except as specified below, are recognized in profit or loss in the period in which:

- Foreign exchange gain/losses related to assets under construction for future productive use, and included as an adjustment to interest costs and added on cost of those assets,
- Hedging transaction foreign currency risks (hedging accounting policies are described below),
- Foreign exchange differences forming part of the foreign operation net investment, accounted under reserves, associated with profit or loss on sale of the net investment, arising from international activity debt and receivables without intention or possibility of any payment.

The Company's assets and liabilities of foreign operations are expressed in TRY using exchange rates prevailing on the statement of financial position date in the financial statements. Income and expense items, unless exchange rates fluctuates significantly at the dates of the transactions in the period (in case of major fluctuations, exchange rates at the transaction date is used) , are translated using average exchange rates during the period. Exchange differences are recognized in other comprehensive income and accumulated equity in a separate component.

Earnings per Share

Earnings per share disclosed in the accompanying statement of income are determined by dividing net income by the weighted average number of shares in existence during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them a retroactive effect for the period in which they were issued and each previous year.

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

A possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company have not been recognized in the accompanying financial statements and treated as contingent liabilities and contingent assets.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Government Grants

Government incentives are not reflected in the financial statements; without the business fulfilment of the necessary conditions for obtaining that incentive which will and a reasonable assurance that they shall be obtained.

Government grants, intended to meet the costs of these incentives are reflected as an expense in profit or loss in a systematic manner throughout the periods. The government grants as a financing tool, rather than being accounted as a net off item profit or loss, should be associated with the statement of financial position (balance sheet) as unearned income, should be reflected in a systematic manner in profit or loss during the economic life of the related assets.

Government incentives given in order to meet expenses or losses previously realized and to provide emergency financial support without any cost in the future are recognized in profit or loss when it becomes liveable.

Loans obtained from the state lower than market interest rate, is considered to be government grants. Benefit from lower interest rates is calculated as the difference between the initial carrying amount and the gains of the loan during the period.

The Company benefits from research and development ("R&D") grants within the scope of the Communiqué No: 98/10 of The Scientific and Technological Research Council of Turkey ("TÜBİTAK") and Money Credit and Coordination Board related to R&D grants for its research and development projects given that such projects satisfy specific criteria with respect to the evaluation of TÜBİTAK Technology Monitoring and Evaluation Board.

The government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. The portion of government grants associated to previously capitalize intangible assets is deducted from the cost of the intangible asset, whereas the other government grants are recognized as income in the period which they are incurred.

Investment Property

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method. The cost of a self-constructed investment property is determined as its cost at the date when the construction or development is complete. On that date the subject asset qualifies as an investment property and thus transferred to investment properties class. The useful life estimation for the buildings within investment properties is between 18-25 years.

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(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

Provision for Employment Termination Benefits

Severance Payments:

Under the Turkish law and union agreements, lump sum payments are made to employees in retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No: 19 (revised) "Employee Benefits" ("TAS 19").

The liability for employment termination benefits recognized in the financial statements was calculated according to the current net value of the liability amounts expected to occur in the future due to retirement of employees and was reflected on the financial statements. All calculated actuarial gains and losses are reflected on the fund of gains/losses due to employee termination benefits under equity.

Liabilities arising from unused leave rights defined as "short-term provisions regarding employee benefits" are accrued in the period in which the right is gained and recognized after being discounted if their impact is material.

Taxation and Deferred Taxes

Tax expense consists of total current tax and deferred tax benefit / (expense).

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred Taxes

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the statement of financial position method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the statement of financial position date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

The current tax or the deferred tax for the current year is accounted as expense or income under the income table.

Share Capital and Dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity by deducting from retained earnings in the year in which they are declared.

Restricted Reserves

Restricted reserves are allocated from profit of previous year due to obligation arising from law or the Company's articles or objects excluding profit distribution (etc. tax advantage for gain on sale of subsidiaries). These reserves are carried at their statutory amounts.

Reporting of cash flows

In the statements of cash flows, cash flows are classified and reported according to their operating, investing and financing activities.

Subsequent events

Post period-end events that provide additional information about the Company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 3- CASH AND CASH EQUIVALENTS

	30 June 2014	31 December 2013
Cash on hand	3	3
Bank - demand deposits	6.529	597
	6.532	600

NOTE 4- FINANCIAL ASSETS

None.

NOTE 5- BORROWINGS

Short term borrowings

	30 June 2014	31 December 2013
Short-term bank borrowings	179.653	132.203
Current portion of long-term borrowings	4.285	2.058
Short-term borrowings	183.938	134.261

Long-term borrowings

	30 June 2014	31 December 2013
Long-term bank borrowings	6.000	8.232
Long-term borrowings	6.000	8.232

Bank borrowings and corresponding interest expense accruals as at 30 June 2014 and 31 December 2013 are as follows:

Principal	30 June 2014			31 December 2013		
	Weighted Average Effective Interest Rates %	Original Amount	TL	Weighted Average Effective Interest Rates %	Original Amount	TL
TL	9,27	-	84.478	7,59	-	88.840
USD	1,70	48.136.581	102.213	1,38	25.000.000	53.358
			186.691			142.198
Accrued Interest						
TL		-	3.217		-	295
USD		14.132	30		-	-
			189.938			142.493

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 6 – TRADE RECEIVABLES AND TRADE PAYABLES

Trade Receivables

	30 June 2014	31 December 2013
Trade receivables (*)	196.158	184.865
Cheques received (**)	44.207	52.089
Provision for doubtful receivables	(3.407)	(3.033)
	236.958	233.921

(*) As of 30 June 2014 trade receivables are discounted by 0,84% for TL, 0,13% for USD, 0,13% for EUR. (As of 31 December 2013 0,44% for TL, 0,12% for USD, 0,12% for EUR).

(**)Cheques received constitute the cheques obtained from customers and kept in portfolio as a result of trade activities and consist of TL 22.148 with maturities of more than three months (31 December 2013: TL 33.347).

Non-current trade receivables

	30 June 2014	31 December 2013
Trade Receivables	-	106
	-	106

As of 30 June 2014 and 31 December 2013, past due but not provisioned trade receivables as follows:

Overdue Period	30 June 2014	31 December 2013
0 - 1 month	15.289	23.645
1 - 3 months	531	1.605
Over 3 months	321	1
Total	16.141	25.251

As of 30 June 2014 and 31 December 2013, due to existence of receivable insurance, bank guarantee, mortgage and other guarantees (i.e. cheques), the Company has not recorded any provision relation to trade receivables that were past due but not impaired.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 6 – TRADE RECEIVABLES AND TRADE PAYABLES (continued)

The movements of the provision for doubtful receivables during the period are as follows:

Over Period	30 June 2014	31 December 2013
0 - 6 months	106	-
Over 6 months	3.301	3.033
Total	3.407	3.033

The movements of the provision for doubtful receivables during the period are as follows:

	1 January 2014 - 30 June 2014	1 January 2013 - 30 June 2013
Balance at 1 January	(3.033)	(3.033)
Provision released (Note 24)	(374)	-
Balance at 30 June	(3.407)	(3.033)

Trade Payables

	30 June 2014	31 December 2013
Trade Payables	145.160	221.728
Due to related parties (Note 29)	9.406	11.389
	154.566	233.117

As of 30 June 2014 trade payables are discounted by using 0,84% for TL, 0,13% for USD, 0,13% for EUR.(As of 31 December 2013 0,44% for TL, 0,12% for USD, 0,12% for EUR).

As of 30 June 2014 average turnover for trade receivables and trade payables are 53 days and 93 days, respectively (31 December 2013: 53 days and 81 days respectively).

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 7 – EMPLOYEE BENEFIT OBLIGATIONS

Liabilities for employee benefits

	30 June 2014	31 December 2013
Social security and taxes payable	2.165	2.266
Due to personnel	1.792	878
	3.957	3.144

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Other Current Receivables

	30 June 2014	31 December 2013
Job advance	280	397
Receivables from government agencies	49	205
Receivables from returned goods	-	175
Other receivables	392	504
	721	1.281

Due from related parties (Note 29)	454	172
	1.175	1.453

Other Non-Current Receivables

	30 June 2014	31 December 2013
Deposits and guarantees	55	55
	55	55

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 8 - OTHER RECEIVBLES AND PAYABLES (continued)

Other Payables

	30 June 2014	31 December 2013
Advances received from customers	6.464	486
Taxes payables	764	374
Cancellation of VAT	291	192
Installment tax payable (*)	-	1.218
Due to related party (Note 29)	-	1
Other	5	140
	7.524	2.411

(*) In order to eliminate tax risks, Company discontinued lawsuits opened for the abolition of tax bills as a result of the tax inspection conducted by the Ministry of Finance, in order to benefit from the provisions of Law no 6111 "Restructuring of Certain Receivables and Amendment of Social Insurance and General Health Insurance Law and Other Certain Laws and Decrees" on April 7, 2011 and has applied the tax office.

The total amount payable as a result of the inspection made by the tax office, TL 32.417 for the tax imposed in 2007; TL 12.715 for TL 44.823 of penalty, as a result of the tax investigation in 2010 TL 12.497 and for TL 18.746 penalty imposed TL 9.212, calculated as a total of TL 21.927. Company paid total amount of TL 21.927 with 18 equal instalments beginning from June 2011 within 36 months as of the reporting date. TL 792 of TL 21.927 related to the Value Added Tax was subjected to discount. The remaining TL 21.135 was accounted for as expense in the financial statements of 2011.

NOTE 9 – INVENTORIES

	30 June 2014	31 December 2013
Raw materials and supplies	91.255	63.701
Intermediate goods	59.891	58.568
Finished goods	18.870	43.968
By-products (*)	3.382	4.956
Semi-finished goods	3.261	2.735
Spare parts (**)	2.580	11.288
Other	2.711	3.118
Less: Impairment in value of inventories (***)	(3.873)	(1.273)
	178.077	187.061

(*) By-products are not subject to impairment since they are taken to inventories with selling prices.

(**) Spare parts amounting to TL 8.909 presented in inventory account has transferred and amortized as of January 1, 2014.

(***) Impairment has been allocated to finished goods, intermediate goods and other inventories.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 9 – INVENTORIES (continued)

Movement of Provision for Impairment of Inventories

	1 January 2014 - 30 June 2014	1 January 2013 - 30 June 2013
Balance at 1 January	(1.273)	(2.033)
Charged for the period (Note 21)	(2.600)	-
Provision used (Note 21)	-	535
Balance at 30 June	(3.873)	(1.498)

The Company has increased TL 2.600 of its provision for impairment of inventories which was amounting TL 1.273 and therefore realized allowance for impairment in current year for TL 3.873. As of 30 June 2014, total inventory accounted with net realizable value is TL 82.634 (31 December 2013: TL 103.809).

For the period ended at 30 June 2014, the aggregate amount of inventories expensed and included in cost of goods sold is TL 455.319 (30 June 2013: TL 408.897).

NOTE 10 – PREPAID EXPENSES

Prepaid Expenses (Short-term)

	30 June 2014	31 December 2013
Prepaid insurance expenses	3.146	-
Revision expenses	863	-
Prepaid personnel expenses	162	-
Other prepaid expenses	589	932
	4.760	932

Prepaid Expenses (Long-term)

	30 June 2014	31 December 2013
Long-term prepaid expenses	79	200
	79	200

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 11 – INVESTMENT PROPERTIES

The movement schedules of investment properties and related accumulated depreciation for the years ended 30 June 2014 and 2013 are as follows:

	1 January 2014	Additions	Other Transfers	Disposal	30 June 2014
Cost					
Land	5	-	-	-	5
Buildings	3.780	-	-	-	3.780
	3.785	-	-	-	3.785
Accumulated Depreciation					
Building	2.556	95	-	-	2.651
Net Book Value	1.229				1.134

As of June 30, 2014 the Company has leased properties with the net book value of TL 1.134 (30 June 2013: TL 1.324) to the third parties through lease agreements.

The Company has generated rent income of TL 208 (30 June 2013: TL 193) throughout the period resulting from these lease agreements (Note 24). The fair value of factory building was carried out according to the discounted cash flow and has been calculated TL 4.660 (31 December 2013: TL 3.505).

	1 January 2013	Additions	Other Transfers	Disposal	30 June 2013
Cost					
Land	5	-	-	-	5
Buildings	3.780	-	-	-	3.780
	3.785	-	-	-	3.785
Accumulated Depreciation					
Building	2.366	95	-	-	2.461
Net Book Value	1.419				1.324

The total depreciation for the period ended 30 June 2014 and 2013 is presented in Note 12.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

The movement schedules of property, plant and equipment and related accumulated depreciation for 30 June 2014 and 2013 are as follows;

	1 January 2014	Additions	Transfers	Other Transfers	Disposal	30 June 2014
Cost						
Land	15.537	-	-	-	-	15.537
Land Improvements	7.179	-	-	-	-	7.179
Buildings	59.829	-	-	-	-	59.829
Machinery and equipment	386.837	333	4.984	225	-	392.379
Spare parts(*)	-	8.909	-	-	-	8.909
Motor vehicles	1.780	-	-	-	-	1.780
Furniture and fixtures	5.641	26	-	-	-	5.667
Construction in progress	6.288	169	(4.984)	-	-	1.473
	483.092	9.437	-	225	-	492.753
Accumulated depreciation						
Land Improvements	5.366	203	-	-	-	5.569
Buildings	37.110	1.475	-	-	-	38.585
Machinery and equipment	284.103	7.352	-	64	-	291.519
Spare parts	-	821	-	-	-	821
Motor vehicles	1.661	11	-	-	-	1.672
Furniture and fixtures	4.236	167	-	-	-	4.403
	332.475	10.029	-	64	-	342.569
Net book value	150.617				-	150.185

(*) Spare parts amounting to TL 8.909 presented in inventory account has transferred and amortized as of January 1, 2014.

As of June 30, 2014 the Company does not acquired property, plant and equipment through finance leases (June 30, 2013: TL 24). As of June 30, 2014 and 2013 there is no blockage or pledge on property, plant and equipment.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (continued)

	1 January		Transfers from	Other		30 June
	2013	Additions	construction in	Transfers	Disposal	2013
			progress			
Cost						
Land	15.551	-	-	-	-	15.551
Land Improvements	8.224	-	-	-	-	8.224
Buildings	66.047	-	-	-	-	66.047
Machinery and equipment	400.233	738	340	377	(3.175)	398.513
Motor vehicles	1.905	-	-	-	-	1.905
Furniture and fixtures	5.693	102	-	-	-	5.795
Construction in progress	7.300	803	(340)	-	(2)	7.761
	504.953	1.643	-	377	(3.177)	503.796
Accumulated depreciation						
Land Improvements	5.779	236	-	-	-	6.015
Buildings	38.321	1.638	-	-	-	39.959
Machinery and equipment	282.105	7.494	219	-	(2.356)	287.462
Motor vehicles	1.874	2	-	-	-	1.876
Furniture and fixtures	4.230	171	-	-	(1)	4.400
	332.309	9.541	219	-	(2.357)	339.712
Net book value	172.644					164.084

As of 30 June 2014 and 2013, total depreciation and amortization charges for the period between and the related income statement accounts are as follows:

	1 January - 30 June 2014	1 January - 30 June 2013
Cost of production (Note 21)	9.127	8.665
Research expense (Note 22)	819	1.165
General administrative expenses (Note 22)	487	406
Selling, marketing and distribution expenses (Note 22)	285	279
	10.718	10.515

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 13 - INTANGIBLE ASSETS

The movement schedules of intangible assets and related accumulated depreciation for the year ended 30 June 2014 and 2013 are as follows:

	1 January	Transfers from construction			30 June
	2014 Additions	in progress	Other transfers	Disposal	2014
Cost					
Rights	5.249	578	-	-	5.827
Development costs	7.600	-	-	-	7.600
	12.849	578	-	-	13.427
Accumulated amortisation					
Rights	4.275	186	-	-	4.461
Development costs	5.709	408	-	-	6.117
	9.984	594	-	-	10.578
Net book value	2.865				2.849

	1 January	Transfers from construction			30 June
	2013 Additions	in progress	Other transfers	Disposal	2013
Cost					
Rights	5.374	339	-	-	5.713
Development costs	7.601	-	-	-	7.601
	12.975	339	-	-	13.314
Accumulated amortisation					
Rights	4.640	119	-	-	4.759
Development costs	4.197	760	-	-	4.957
	8.837	879	-	-	9.716
Net book value	4.138				3.598

The total amortization for the year ended 30 June 2014 and 2013 is presented in Note 12.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 14 – ASSET HELD FOR SALE

	1 January 2014	Additions	Transfers to tangible assets	Disposals	30 June 2014
Cost					
Land	14	-	-	-	14
Land Improvements	1.045	-	-	-	1.045
Buildings	6.538	-	-	-	6.538
Machinery and equipment	14.866	-	(225)	-	14.641
Motor vehicles	224	-	-	-	224
Furniture and fixtures	332	-	-	-	332
Construction in progress	-	-	-	-	-
	23.019	-	(225)	-	22.794
Accumulated depreciation					
Land Improvements	819	-	-	-	819
Buildings	4.154	-	-	-	4.154
Machinery and equipment	10.932	-	(64)	-	10.868
Motor vehicles	224	-	-	-	224
Furniture and fixtures	318	-	-	-	318
	16.447	-	(64)	-	16.383
Net book value	6.572			-	6.411

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	30 June 2014	31 December 2013
Provision for export expenses (*)	1.525	1.556
Provision for restructuring and demand of other receivables (**)	952	1.364
Other	247	71
	2.724	2.991

(*) Provision for export expenses contains of freight, insurance and custom etc. provisions of foreign sales.

(**) Provision for restructuring and demand of other receivables are consisting of reinstatements lawsuits which were filed by ex-workers against to the Company due to changes of business organizations and possible expenses of other receivables lawsuits. Such lawsuits are pending as of balance sheet date.

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(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

The movement schedules of provision for restructuring expenses for the periods ended 30 June 2014 and 2013 are as follows:

Provision for export expenses

	1 January 2014 - 30 June 2014	1 January 2013 - 30 June 2013
Balance at 1 January	1.556	1.038
Charged for the period	11.596	8.353
Allowance released	(11.627)	(7.655)
Balance at 30 June	1.525	1.736

Provision for restructuring expenses and other receivables

	1 January 2014 - 30 June 2014	1 January 2013 - 30 June 2013
Balance at 1 January	1.364	1.076
Charged for the period	89	280
Allowance released	(501)	(6)
Balance at 30 June	952	1.350

NOTE 16 – COMMITMENTS

Commitments and contingencies, which are not included in the liabilities at 30 June 2014 and 31 December 2013, are as follows:

Commitments based on export incentive certificates

	30 June 2014	31 December 2013
The total amount of export commitment of documents stored in the document	1.237.585	1.082.491
The amount mentioned include commitments based on export incentive certificate which are presently fulfilled but the closing transactions are not concluded yet	919.659	615.658
Total amount of open export incentives	317.926	466.833
Open export incentives	142.618	202.951

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NOTE 16 – COMMITMENTS (continued)

Collaterals, pledges and mortgages 'CPM' given by the Company

	30 June 2014				31 December 2013			
	TL Equivalent	TL	USD	Euro	TL Equivalent	TL	USD	Euro
A.CPMs given in the name of its own legal personality	107.412	27.935	34.704.969	2.000.000	206.124	50.931	69.962.236	2.000.000
B.CPMs given on behalf of the fully consolidated companies	-	-	-	-	-	-	-	-
C.CPMs given on behalf of third parties for ordinary course of the business	-	-	-	-	-	-	-	-
D.Total amount of other CPMs given								
- Total amount of CPMs given on behalf of the majority shareholder	-	-	-	-	-	-	-	-
- Total amount of CPMs given on behalf of other group companies which are not in scope of B and C	-	-	-	-	-	-	-	-
- Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-	-	-	-	-	-	-
Total CPM Amount	107.412	27.935	34.704.969	2.000.000	206.124	50.931	69.962.236	2.000.000

As of 30 June 2014 the percentage of the other CPM's given by the Company to the total equity is 0% (31 December 2013: 0%).

Mortgages and guarantees taken at 30 June 2014 and 31 December 2013 are as follows:

	30 June 2014	31 December 2013
Letters of guarantees taken	14.882	15.382
Cheques and notes of guarantees taken	2.274	2.274
Mortgages taken	234	234
Total	17.390	17.890

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NOTE 17 - EMPLOYEE BENEFITS

Short term employee benefits

	30 June 2014	31 December 2013
Provision for employee expenses	547	-
Premiums for senior management	-	150
	547	150

Long term employee benefits

	30 June 2014	31 December 2013
Unused vacation allowance	1.895	1.618
Provision for employment termination benefits	16.483	16.200
	18.378	17.818

Unused Vacation Allowance

Company provides annual pay vacation to each employee who has completed one year of service. Movements of unused vacation allowances as follows:

Movements of unused vacation allowance is as follows:

	1 January 2014 - 30 June 2014	1 January 2013 - 30 June 2013
Balance of 1 January	1.618	1.693
Charge for the period (Note 24)	277	109
Allowance released	-	(126)
Balance at 30 June	1.895	1.676

Movements in the provision for employee expense are as follows:

	1 January 2014 - 30 June 2014	1 January 2013 - 30 June 2013
Balance of 1 January	-	163
Charge for the period	4.317	5.605
Allowance released	(3.770)	(4.780)
Balance at 30 June	547	988

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NOTE 17 - EMPLOYEE BENEFITS (continued)

Movements of premiums for senior management are as follows:

	1 January 2014 - 30 June 2014	1 January 2013 - 30 June 2013
Balance of 1 January	150	700
Charge for the period	850	-
Allowance released	(1.000)	(700)
Balance at 30 June	-	-

Provision for employment termination benefits

There are no agreements for pension commitments other than the legal requirement as explained below.

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause excluding 25/2 article of labor law, is called up for military service or dies. As of 8 September 1999 related labor law was changed and retirement requirements made gradual. The amount payable consist of one gross wage for each year of service limited to maximum termination indemnity for non-union employees and 47 days gross wage for each year of service limited to maximum termination indemnity for union employees. Same payment is done for days remaining from 1 year.

The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

TFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly following actuarial assumptions were used in the calculation of the total liability.

	30 June 2014	31 December 2013
Discount rate (%)	4,66	4,66
Retention rate to estimate the probability of retire	98	98

Discount rate is derived upon the difference of long-term interest's rates in TL and the expected inflation rate.

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL 3,60 (1 January 2013: TL 3,44), which is expected to be effective from 1 July 2014, has been taken into consideration in calculating the provision for employment termination benefits of the Company.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 17 - EMPLOYEE BENEFITS (continued)

Movements in the reserve for employment termination benefits are as follows:

	1 January 2014 - 30 June 2014	1 January 2013 - 30 June 2013
Balance of 1 January	16.200	15.767
Charge for the period	1.513	2.288
Allowance released	(1.230)	(1.857)
Balance at 30 June	16.483	16.198

NOTE 18 - OTHER ASSETS AND LIABILITIES

Other Current Assets

	30 June 2014	31 December 2013
Reclaiming VAT amount subject to discount	6.306	-
Value added tax (VAT)	6.301	29
VAT Receivables due to export	5.574	4.657
Deferred SCT	191	1.341
	18.372	6.027

Other Non-Current Assets

	30 June 2014	31 December 2013
Deferred VAT (*)	50.095	59.239
	50.095	59.239

NOTE 19 – DERIVATIVE INSTRUMENTS

None.

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NOTE 20 - SHAREHOLDERS' EQUITY

Sasa Polyester Sanayi A.Ş fully paid and issued capital each KR 1 nominal value of 21.630.000.000 shares (31 December 2013: 21.630.000.000). The shareholders and shareholding structure of the Company at 30 June 2014 and 31 December 2013 are as follows:

	<u>30 June 2014</u>		<u>31 December 2013</u>	
	TL	Share	TL	Share
H.Ö. Sabancı Holding A.Ş. (*)	110.313	51	110.313	51
Public Offered	105.987	49	105.987	49
	216.300	100	216.300	100
Inflation adjustment to share capital (**)	196.213		196.213	
	412.513		412.513	

(*) Hacı Ömer Sabancı Holding A.Ş. agreed to sell all shares in SASA Polyester Sanayi A.Ş with a nominal value of 110.313.001,18 TL corresponding to 51% of the share capital of the Company, to Indorama Netherlands B.V. established in the Netherlands as a subsidiary of Thailand-based Indorama Ventures Public Company Limited. The Share Purchase Agreement was signed on 9 April 2014 and shares will be transferred upon the approvals of the relevant authorities.

(**) Adjustment to share capital represents the restatement effect of cash contributions to share capital at year-end equivalent purchasing power after netting of prior year losses.

Shareholders' equity items of company as at 30 June 2014 and 31 December 2013 prepared in accordance with the Communiqué No: XI-29 are as follows:

	30 June 2014	31 December 2013
Share capital	216.300	216.300
Inflation adjustment to share capital	196.213	196.213
Restricted reserves	5.356	5.356
Accumulated loss	(166.840)	(173.081)
Actuarial gain / (loss)	(1.114)	(1.114)
Net (loss) / profit for the period	31.881	6.241
Share holders' Equity	281.796	249.915

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital.

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NOTE 20 - SHAREHOLDERS' EQUITY (continued)

In accordance with the CMB's requirements which were effective until 1 January 2008, the amount generated from first-time application of inflation adjustments on financial statements, and followed under the "accumulated loss" item was taken into consideration as a reduction in the calculation of profit distribution based on the inflation adjusted financial statements within the scope of the CMB's regulation issued on profit distribution. The related amount that was followed under the "accumulated loss" item could also be offset against the profit for the period (if any) and undistributed retained earnings and the remaining loss amount could be offset against capital reserves arising from the restatement of extraordinary reserves, legal reserves and equity items, respectively.

In addition, in accordance with the CMB's requirements which were effective until 1 January 2008, at the first-time application of inflation adjustments on financial statements, equity items, namely "Capital issue premiums", "Legal reserves", "Statutory reserves", "Special reserves" and "Extraordinary reserves" were carried at nominal value in the balance sheet and restatement differences of such items were presented in equity under the "Shareholders' equity inflation restatement differences" line item in aggregate. "Shareholders' equity inflation restatement differences" related to all equity items could only be subject to the capital increase by bonus issue or loss deduction, while the carrying value of extraordinary reserves could be subject to the capital increase by bonus issue; cash profit distribution or loss offsetting.

In accordance with the Communiqué No: XI-29 and related announcements of CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences as part of TAS/TFRS shall be disclosed as follows:

- if the difference is arising due to the inflation adjustment of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment to Share Capital";
- if the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilized in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings".

There is no other usage other than the addition of capital adjustment differences to the capital.

Dividend Distribution

Listed companies shall distribute their profit in accordance with the Capital Market Board's Communiqué on Dividends II-19.1 which is effective from February 1, 2014.

Companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their main agreements or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the interim financial statements.

In accordance with the Turkish Commercial Code (TCC), no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of a usufruct right certificate, to the members of the board of directors or to the employees unless the required reserves and the dividend for shareholders as determined in the main agreement or in the dividend distribution policy of the company are set aside; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

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NOTE 21 - SALES AND COST OF SALES

Sales Revenue

	1 January- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2014	1 April- 30 June 2013
Domestic sales	380.608	333.966	182.069	156.541
Foreign sales	244.647	198.648	119.255	109.059
Other sales	3.892	3.704	2.270	1.112
Sales return	(3.498)	(723)	(1.352)	(441)
Sales discounts	(1.187)	(950)	(943)	(699)
Other discounts	(336)	(58)	(241)	(58)
Sales Revenues (net)	624.126	534.587	301.058	265.514

Cost of Sales

	1 January- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2014	1 April- 30 June 2013
Direct first raw material and supplies expenses	441.846	382.878	219.296	196.527
Energy expenses	49.776	49.298	25.386	25.203
Labour expenses	23.816	24.377	12.313	12.257
Amortization	7.704	7.335	4.020	3.755
Other variable expenses	7.405	6.500	3.762	3.453
Spare parts and maintenance expenses	2.562	2.115	1.549	1.025
Insurance expenses	707	426	356	221
Other fixed expenses	67	83	31	42
Usage of semi-finished goods	(526)	(78)	(497)	(126)
Production cost for the year	533.357	472.934	266.216	242.357
Usage of WIP and finished goods	18.721	13.204	(1.775)	(7.903)
Cost adjustment to unrealised sales	(10.660)	10.001	(19)	10.001
Cost of waste goods sold	4.380	4.138	2.537	2.064
Other idle time expenses	3.914	4.009	1.961	1.458
Idle time type amortization	1.423	1.330	550	578
Provision for impairment inventories - net (Note 9)	2.600	(535)	(700)	-
Stock count differences	(1.042)	(621)	(644)	(219)
Cost of good sold during the year	552.693	504.460	268.126	248.336

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NOTE 22 - OPERATING EXPENSES

General Administrative Expenses

	1 January- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2014	1 April- 30 June 2013
Personnel expenses	4.961	4.489	2.698	2.306
Seniority notice indemnity	366	684	124	310
Consultancy expenses	552	578	271	256
Amortization (Note 12)	487	406	246	205
Insurance expenses	395	315	209	167
Supplies, repair and maintenance expenses	242	198	121	92
Energy expenses	114	120	54	58
Auxiliary expenses	108	137	58	80
Other expenses	681	831	305	404
	7.906	7.758	4.086	3.878

Selling, Marketing and Distribution Expense

	1 January- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2014	1 April- 30 June 2013
Export expenses	20.506	10.984	9.748	4.606
Personnel expenses	2.613	2.210	1.378	1.107
Insurance expenses	411	543	257	261
Taxes and duties	737	504	349	210
Energy expenses	375	363	185	186
Amortization (Note 12)	285	279	142	140
Rent expenses	40	121	24	14
Other	697	2.923	474	2.614
	25.664	17.927	12.557	9.138

Research and Development Expenses

	1 January- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2014	1 April- 30 June 2013
Amortization (Note 12)	819	1.165	410	583
Maintenance expenses	7	-	7	-
First raw material and supplies expenses	1	-	-	-
Labour and personnel expenses	-	1	-	-
Other expenses	101	111	58	45
	928	1.277	475	628

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NOTE 23 – INCOME/EXPENSE FROM INVESTING OPERATIONS

Income/expense from investing operations

	1 January-30 June 2014	1 January-30 June 2013	1 April- 30 June 2014	1 April- 30 June 2013
Gain on sales of tangible assets	-	112	-	112
Loss on sales of fixed assets	-	(1)	-	(1)
	-	111	-	111

NOTE 24 – OTHER OPERATING INCOME / EXPENSE

Other operating income

	1 January- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2014	1 April- 30 June 2013
Foreign exchange gain from trade receivables / payables	23.821	20.756	8.260	14.552
Miscellaneous sales income	18.595	12.559	13.547	7.646
Financial income from credit sales	1.350	1.223	828	376
Scrap sales income	555	2.726	390	266
Rent income	208	193	104	96
Insurance compensation income	39	1.252	18	188
Provision of closed requests for restructuring and other receivables	1.102	826	1.085	700
Other income	661	609	226	144
	46.331	40.144	24.458	23.968

Other operating expense

	1 January - 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2014	1 April- 30 June 2013
Foreign exchange loss from trade receivables / payables	26.629	14.904	10.629	10.393
Miscellaneous sales expense	16.912	11.307	12.827	6.859
Premiums for senior management (Note 17)	850	-	-	-
Taxes and duties paid	637	485	292	280
Provision for doubtful receivable expense (Note 6)	374	-	105	-
Provision for unused vacation (Note 17)	277	109	147	109
Provision for restructuring expenses	89	280	-	37
Other	144	1.172	127	130
	45.912	28.257	24.127	17.808

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NOTE 25 - FINANCIAL INCOME

	1 January- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2014	1 April- 30 June 2013
Foreign exchange income	2.630	1.516	1.166	598
Interest income	142	4	108	4
	2.772	1.520	1.274	602

NOTE 26 - FINANCIAL EXPENSES

	1 January- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2014	1 April- 30 June 2013
Foreign exchange losses	2.381	10.122	(644)	7.310
Interest expense	7.450	6.154	4.132	2.814
	9.831	16.276	3.488	10.124

NOTE 27 - TAX ASSETS AND LIABILITIES

Deferred income taxes

The Company recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Accounting Standards and their statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for International Financial Reporting Standards and tax purposes.

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 30 June 2014 and 31 December 2013 using the enacted tax rates are as follows:

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NOTE 27 - TAX ASSETS AND LIABILITIES (continued)

	Cumulative temporary difference		Deferred income tax asset / (liabilities)	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Accumulated financial loss	(31.754)	(70.670)	6.351	14.134
Net difference between the tax base and carrying value of tangible and intangible assets	26.357	20.853	(5.271)	(4.171)
Retirement pay provision	(16.483)	(16.200)	3.297	3.240
Net difference between the tax base and carrying value of inventories	(15.726)	(3.917)	3.145	783
Correction of the sale that are not realize	(3.902)	(1.681)	780	336
Provision for accumulated unpaid vacation provision the carrying value of assets held for investment	(1.895)	(1.618)	379	324
Held for sale asset's net difference between the book value and tax value	1.253	1.414	(251)	(283)
Provision for restructuring	(952)	(1.364)	190	273
Asset for investment's net difference between the book value and tax value	(291)	(226)	58	45
Provision for doubtful receivable	(1.304)	(1.036)	261	207
Provision of export expense	-	(1.557)	-	311
Adjustment for not accrued financial expenses	223	230	(45)	(46)
Adjustment for not accrued financial income	(964)	(496)	193	99
Other	(71)	(221)	12	44
Deferred income tax assets	(72.089)		14.666	19.796
Deferred income tax liabilities	(26.289)		(5.567)	(4.500)
Provision for deferred tax asset recognised from carry forward (*)			(6.351)	(14.134)
Deferred income tax asset/liabilities , net			2.748	1.162

(*) The portable financial losses' reduction from taxable income of the part that cannot exceed the prescribed time period evaluated through the accountings precautionary principle according to the Entity's possibility of creating high degree of financial harm to through using high amount of financial losses and creating deferred tax income. No deferred tax asset has been recognized from carry forward tax losses due to the unpredictability of future profit streams. However, deferred tax has recognized for the items that are subject to tax base such as severance benefits and inventories without being subject to a certain time comparison.

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NOTE 27 - TAX ASSETS AND LIABILITIES (continued)

Deferred income tax asset

	30 June 2014	31 December 2013
Deferred income tax asset to be recovered after more than a year	3.676	3.564
Deferred income tax asset to be recovered within one year	4.639	2.098
	8.315	5.662

Deferred tax liabilities

	30 June 2014	31 December 2013
Deferred income tax asset to be recovered after more than a year	5.522	4.454
Deferred income tax asset to be recovered within one year	45	46
	5.567	4.500

Movements in deferred taxes can be analyzed as follows:

	1 January 2014 - 30 June 2014	1 January 2013 - 30 June 2013
Balance at 1 January	1.162	(15)
Deferred tax income of the term	1.586	370
Balance at 30 June	2.748	355

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NOTE 27 - TAX ASSETS AND LIABILITIES (continued)

Total charge for the period can be reconciled to the accounting profit as follows:

	<u>30 June 2014</u>	<u>30 June 2013</u>
(Loss)/ Profit before tax from operations	30.295	407
Expected taxation (%20)	(6.059)	(81)
Tax effects of		
- Revenue that is exempt from taxation	333	173
- Expenses that are not deductible in determining taxable profit	(570)	(630)
- Effect of prior period income tax offset from prior period losses	7.783	616
- Other adjustment	99	292
Income tax recognized in profit / (loss)	1.586	370

As of June 30, 2014 the Company has unused tax losses which will be able to net off amounting TL 31.754 TL for next years (December 31, 2013 – TL 70.670). The last years of financial losses to be offset are as follows:

2014	496
2017	31.258
	<u>31.754</u>

Corporate Income Tax Law has been changed with the law numbered 5520 which was published at 13 June 2006. Most of the rules of the new Corporate Income Tax Law are applicable from 1 January 2006 According to this; corporate tax rate applicable for the year 2014 is 20% (2013: 20%).

Corporate tax rate is applied to the taxable profit which is calculated by adding non-taxable expenses and deducting some exemptions taken place in tax laws (exemptions for participation revenues, exemptions for investment incentives) and discounts (R&D discount) from accounting profit of the Company. No additional taxes are paid unless profit is distributed (except 19, 8% withholding tax paid over used investment incentives according to the GVK temporary article).

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NOTE 27 - TAX ASSETS AND LIABILITIES (continued)

The Constitutional Court abolished the provisions of Temporary Article 69 of the Income Tax Law regarding the time limitation to the investment allowance in its meeting held on 15 October 2009, and published the minutes of the relevant meeting on its website in October 2009. The decision of the Constitutional Court on the cancellation of the time limitation for investment allowance for the years 2006, 2007 and 2008 came into force with its promulgation in the Official Gazette, dated 8 January 2010, and thereby the time limitation regarding investment allowance was removed, however it has also been stated that balance regarding the calculation of the tax bases could not exceed 25% percent of the relevant income and the remaining balance after the investment allowance should be subject to 20% of corporate tax. The Company has unutilized carried forward investment allowance amounting to TL 83.488, in which TL 14.108 coming from balance subject to 19,8% withholding tax and the remaining TL 69.380 subject to no tax (31 December 2013: TL 79.232).

Corporate Tax Law No, 5520 article 10, explains research and development allowance. Research and development allowance rate has revised as 100% from the previous %40 by the revision that made on Law No: 5746 article 5. The Law came into force with effective from 1 April 2008.

In accordance with mentioned revision, 100% of research and development expenditures facilities related to technology and information research as of 2008 balance sheet date are deducted from income before tax. Expected research and development allowance of the Company as of 30 June 2014 is TL 671.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th (including the tax statements of March 2007 that Income Tax Law numbered 5615 is effective from 4 April 2007 and the law about the change in some laws) of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

A 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of 5 years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realized.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods. The aggregate amount of the Company's carry forward tax losses at 30 June 2014 is TL 31.754 (31 December 2013: TL 70.670).

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NOTE 27 - TAX ASSETS AND LIABILITIES (continued)

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to tax office which they relate. However, tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Total taxes payable for 30 June 2014 and 2013 have been reconciled to the current year tax charge as follows:

	1 January- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2014	1 April- 30 June 2013
Current period tax charge	-	-	-	-
Deferred tax income / (expense)	1.586	370	241	250
Total tax benefit	1.586	370	241	250

NOTE 28 - EARNINGS PER SHARE

	1 January 2014 - 30 June 2014	1 January 2013 - 30 June 2013	1 April 2014- 30 June 2014	1 April 2013- 30 June 2013
Net (loss) / gain attributable to shareholders	31.881	777	14.172	533
Number of ordinary shares	21.630.000.000	21.630.000.000	21.630.000.000	21.630.000.000
Earnings per share in full TL thousands of ordinary shares	1,47	0,04	0,66	0,02

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NOTE 29 - RELATED PARTY DISCLOSURES

Operations with related parties are classified according to the groups mentioned below and include disclosures in this note for all related parties.

- (1) Jointly controlled entities
- (2) Companies of which the group shareholders are a shareholder
- (3) Ultimate shareholder

a) Due from related parties:

	30 June 2014	31 December 2013
Group Companies	454	172
- Aksigorta A.Ş. ("Aksigorta") (2)	417	155
- Enerjisa Enerji Üretim A.Ş. ("Enerjisa") (2)	34	16
- Avivasa (2)	2	-
- Başkent Elektrik Dağıtım A.Ş. (2)	1	1
Total	454	172

Receivables from related party consist of other receivables (31 December 2013: TL 172). Related party receivables are without guarantees. No interest is calculated for receivables.

b) Due to related parties:

	30 June 2014	31 December 2013
1) Share holders	-	1
- Sabancı Holding (3)	-	1
2) Group Companies	9.406	11.388
- Enerjisa (2)	8.818	8.322
- Aksigorta (2)	529	238
- Bimsa (2)	37	27
-Toroslar Elektrik Perakende Satış A.Ş. (2)	22	19
-Sabtek (2)	-	8
- Enerjisa Doğalgaz Toptan Satış A.Ş. ("Enerjisa Doğalgaz") (2)	-	2.749
- Çimsa (2)	-	15
- Sabancı Üniversitesi (2)	-	10
Total	9.406	11.389

As of the report date, total of payables to related parties is trade payables. (31 December 2013: 11.389 TL trade payables, 1 TL other payables). As of 30 June 2014 average maturity of trade payables to related party, respectively, 16 days (31 December 2013: 16 days).

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NOTE 29 - RELATED PARTY DISCLOSURES (continued)

c) Bank deposits:

	30 June 2014	31 December 2013
Akbank (2)	4.000	265
Total	4.000	265

d) Sales to related parties:

	1 January 2014- 30 June 2014		
	Good	Service	Fixed Asset
2) Group Companies		88	-
- Enerjisa (2)	-	85	-
- Temsa (2)	-	3	-
Total	-	88	-

	1 January 2013 - 30 June 2013		
	Good	Service	Fixed Asset
1) Shareholders	-	-	402
- Sabancı Holding (3)	-	-	402
2) Group Companies	4.453	85	-
-Kordsa (2)	4.448	1	-
-Yünsa(2)	5	-	-
- Aksigorta (2)	-	1	-
- Temsa (2)	-	3	-
- Enerjisa (2)	-	80	-
Total	4.453	85	402

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NOTE 29 - RELATED PARTY DISCLOSURES (continued)

	<u>1 April - 30 June 2014</u>	
	Good	Service
1) Shareholders	-	-
- Sabancı Holding (3)		
	<u>1 April - 30 June 2014</u>	
	Good	Service
Group Companies	-	44
- Enerjisa (2)	-	42
- Temsa (2)	-	2
Total	-	44

	<u>1 April - 30 June 2013</u>	
	Good	Service
1) Shareholders	-	-
	<u>1 April - 30 June 2013</u>	
	Good	Service
Group Companies	3	42
- Yünsa(2)	3	-
- Aksigorta (2)	-	1
- Enerjisa (2)	-	40
- Temsa (2)	-	1
Total	3	42

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NOTE 29 - RELATED PARTY DISCLOSURES (continued)

e) Purchases from related parties:

	1 January 2014 - 30 June 2014			
	Good	Service	Fixed Asset	Rent
1) Share holders	-	-	-	49
- Sabancı Holding (3)	-	-	-	49
2) Group Companies	1	44.083	535	-
- Enerjisa (2)	-	41.565	-	-
- Aksigorta (2)	-	1.850	-	-
- Bimsa (2)	-	323	535	-
-Toroslar Elektrik Dağıtım A.Ş. (2)	-	157	-	-
- Avivasa (2)	-	157	-	-
- Akyatırım Menkul Değerler A.Ş. (2)	-	16	-	-
- Sabtek (2)	-	10	-	-
- Sabancı Üniversitesi (2)	-	5	-	-
- Yünsa (2)	1	-	-	-
Total	1	44.083	535	49

	1 January 2013 - 30 June 2013			
	Good	Service	Fixed Asset	Rent
1) Share holders	-	89	-	47
- Sabancı Holding (3)	-	89	-	47
2) Group Companies	28	58.164	358	-
- Olmuksa (2)	27	-	-	-
-Yünsa(2)	1	-	-	-
- Enerjisa (2)	-	39.153	-	-
- Enerjisa Doğalgaz (2)	-	15.370	-	-
- Aksigorta (2)	-	3.046	-	-
- Bimsa (1)	-	249	358	-
- Temsa (2)	-	95	-	-
- Avivasa (2)	-	163	-	-
- Sabancı Üniversitesi (2)	-	42	-	-
- Akyatırım Menkul Değerler A.Ş. (2)	-	13	-	-
- Çimsa (2)	-	33	-	-
Total	28	58.253	358	47

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 29 - RELATED PARTY DISCLOSURES (continued)

The Company purchases electricity and steam from Enerjisa which is group company.

	1 April - 30 June 2014			
	Good	Service	Fixed Asset	Rent
1) Shareholders	-	-	-	25
- Sabancı Holding (3)	-	-	-	25
2) Group Companies	-	22.429	92	-
- Enerjisa (2)	-	21.440	-	-
- Aksigorta (2)	-	642	-	-
- Bimsa (2)	-	200	92	-
- Avivasa (2)	-	78	-	-
'-Toroslar Elektrik Perakende Satış	-	69	-	-
Total	-	22.429	92	25

	1 April - 30 June 2013			
	Good	Service	Fixed Asset	Rent
1) Shareholders	-	89	-	24
- Sabancı Holding (3)	-	89	-	24
2) Group Companies	1	30.287	21	-
- Enerjisa (2)	-	20.411	-	-
- Enerjisa Doğalgaz (2)	-	7.804	-	-
- Aksigorta (2)	-	1.797	-	-
- Bimsa (1)	-	144	21	-
- Avivasa (2)	-	82	-	-
- Çimsa (2)	-	33	-	-
- Sabancı Üniversitesi (2)	-	16	-	-
- Yünsa(2)	1	-	-	-
Total	1	30.376	21	24

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated

NOTE 29 - RELATED PARTY DISCLOSURES (continued)

f) Financial income:

	1 January-30 June 2014	1 January-30 June 2013	1 April-30 June 2014	1 April- 30 June 2013
Akbank (2)	13	-	4	-

g) Financial expense:

	1 January-30 June 2014	1 January-30 June 2013	1 April-30 June 2014	1 April- 30 June 2013
Akbank (2)	78	28	24	13

h) As of 30 June 2014 and 2013 remuneration of directors and key management personnel amounts are as follows:

	1 January-30 June 2014	1 January-30 June 2013	1 April-30 June 2014	1 April- 30 June 2013
Short term employee benefits	992	855	607	488
Employment termination benefits	-	-	-	-
Total	992	855	607	488

NOTE 30 - FINANCIAL RISK MANAGEMENT

Financial Risk Management

Financial risk factors

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company's risk management is implemented by the Company's Treasury Department according to approved policies by Board of Directors. Treasury Department detects and evaluates financial risks and relieve of a risk through close relations with other departments of the Company.

Market risk

Foreign exchange risk

The Company is subject to foreign exchange risk due to foreign currency denominated liabilities and assets' translation to Turkish Lira. Foreign exchange risk is traced and minimized through the analysis of foreign currency position.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Foreign Currency Position Table

Assets and liabilities denominated in foreign currencies at 30 June 2014 and 31 December 2013 are as follows:

	30 June 2014			
	TL	USD	EURO	GBP
Trade receivables (including other receivables)	218.865	76.731.507	19.314.722	21.339
Monetary financial assets (including cash and banks)	3.006	799.021	447.908	3.779
Other	6.147	51.992	2.078.126	7.511
Current Asset	228.018	77.582.520	21.840.756	32.629
Total Asset	228.018	77.582.520	21.840.756	32.629
Trade payables (including other payables)	137.215	7.057.564	42.263.972	1.778
Financial liabilities	102.213	48.136.581	-	-
Other	1.537	102.879	454.218	1.318
Short term liabilities	240.965	55.297.024	42.718.190	3.096
Financial liabilities	-	-	-	-
Long term liabilities	-	-	-	-
Total Liabilities	240.965	55.297.024	42.718.190	3.096
Net foreign currency position	(12.947)	22.285.496	(20.877.434)	29.533
Export	258.162	10.568.101	79.094.630	21.900
Import	234.891	30.392.837	56.595.224	-

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

	31 December 2013			
	TL	USD	EURO	GBP
Trade receivables (including other receivables)	222.520	74.267.903	21.720.552	64.918
Monetary financial assets (including cash and banks)	511	100.600	95.425	4.664
Other	511	122.744	75.723	7.511
Current Asset	223.542	74.491.247	21.891.700	77.093
Total Asset	223.542	74.491.247	21.891.700	77.093
Trade payables (including other payables)	212.109	6.220.937	67.707.237	3.010
Financial liabilities	53.358	25.000.000	-	-
Other	1.557	46.235	493.669	2.486
Short term liabilities	267.024	31.267.172	68.200.906	5.496
Financial liabilities	-	-	-	-
Long term liabilities	-	-	-	-
Total Liabilities	267.024	31.267.172	68.200.906	5.496
Net foreign currency position	(43.482)	43.224.075	(46.309.206)	71.597
Export	413.075	15.674.310	156.050.802	376.438
Import	475.403	29.132.720	164.111.646	8.640

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Foreign Currency Sensitivity Analysis

As of 30 June 2014	Profit / (Loss)	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency
10% change in US Dollar/TL Parity:		
US Dollar net asset	4.732	(4.732)
US Dollar net hedged amount	-	-
US Dollar Net Effect	4.732	(4.732)
10% change in Euro/TL Parity:		
Euro net asset	(6.038)	6.038
Euro net hedged amount	-	-
Euro Net Effect	(6.038)	6.038
10% change in GBP/TL Parity:		
GBP net asset	11	(11)
GBP net hedged amount	-	-
GBP Net Effect	11	(11)
Total	(1.295)	1.295

As of 31 December 2013	Profit / (Loss)	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency
10% change in US Dollar/TL Parity:		
US Dollar net asset	9.225	(9.225)
US Dollar net hedged amount	-	-
US Dollar Net Effect	9.225	(9.225)
10% change in Euro/TL Parity:		
Euro net asset	(13.599)	13.599
Euro net hedged amount	-	-
Euro Net Effect	(13.599)	13.599
10% change in GBP/TL Parity:		
GBP net asset	25	(25)
GBP net hedged amount	-	-
GBP Net Effect	25	(25)
Total	(4.349)	4.349

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. The company manages its not used cash on hand by time deposits. Income, other than not used cash on hand, and cash flows from operations are considerably free from market interest rate changes. The interest risk of the company arises from fixed rate short term borrowings.

To keep this exposure at a minimum level, the Company tries to borrow at the most suitable rates.

Interest Rate Position Table

30 June 2014 31 December 2013

Fixed interest rate financial instruments

<i>Principle</i>	187.220	142.198
<i>Interest</i>	3.246	295
Total fixed financial liabilities	190.466	142.493

Variable interest rate financial instruments

Financial liabilities	-	-
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Credit risk

Credit risk consists of cash and cash equivalents, deposits at banks, customers subject to credit risk due to uncollected receivables.

Receivables

The Company implements Credit Control procedure approved by the Board of Directors in order to manage credit risk due to receivables from customers. According to the procedure, the Company determine a risk limit for every single customer (except related parties) by taking into consideration receivable insurance, bank guarantee, mortgage and other guarantees and sales are conducted without exceeding customer risk limits. In circumstances where these guarantees do not exist or it is required to exceed the guarantees, sales are conducted through determined internal limits which are specified in the procedure.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure according to Financial Instruments Types

30 June 2014	Receivables				
	Trade Receivables		Other Receivables		Time
	Related Party	Other	Related Party	Other	Deposit
- Maximum credit risk exposure as of balance sheet date	-	236.958	454	776	6.532
- Guaranteed maximum risk by Commitment or etc (*)	-	187.813	-	-	-
- Net book value of non-overdue of unimpaired financial asset	-	217.470	454	776	6.532
Net book value of financial assets that would be overdue or impaired unless restricted	-	-	-	-	-
Net book value of overdue assets that are not impaired	-	16.141	-	-	-
- The part that is guaranteed by commitment or etc	-	12.213	-	-	-
Net book value of impaired assets	-	3.407	-	-	-
- Overdue (gross book value)	-	3.407	-	-	-
- Impairment	-	(3.407)	-	-	-

(*) Guarantees include receivable insurance, bank collateral, mortgages, and customer checks.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure according to Financial Instruments Types (continued)

	Receivables				
	Trade Receivables		Other Receivables		Time
	Related Party	Other	Related Party	Other	Deposit
31 December 2013					
- Maximum credit risk exposure as of balance sheet date	6	234.027	172	1.336	600
- Guaranteed maximum risk by Commitment or etc	-	199.836	-	-	-
- Net book value of non-overdue of unimpaired financial asset	6	205.743	172	1.336	600
Net book value of financial assets that would be overdue or impaired unless restricted	-	-	-	-	-
Net book value of overdue assets that are not impaired	-	25.251	-	-	-
- The part that is guaranteed by commitment or etc		20.585	-	-	-
Net book value of impaired assets	-	3.033	-	-	-
- Overdue (gross book value)	-	3.033	-	-	-
- Impairment	-	(3.033)	-	-	-

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

As of 30 June 2014 and 31 December 2013 net book value of overdue assets that not impaired is as follows:

Trade Receivables	30 June 2014	31 December 2013
Overdue 1-30 days	15.289	23.645
Overdue 1-3 months	531	1.605
Overdue 3-12 months	321	1
Total	16.141	25.251
Portion under the guarantee of collaterals, etc (*)	12.213	20.585

(*) Guarantees include receivable insurance, bank collateral, mortgages, and customer checks.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Company aims to maintain flexibility in funding by keeping committed credit lines available.

As of 30 June 2014;

Contractual maturities

	Financial Liabilities Other than Derivatives				
	Book Value	Total Cash Outflow Due to Contracts	3 months	3-12 months	1-5 years
Bank borrowings	189.938	194.407	96.645	91.378	6.384
Trade payables	16.417	16.417	16.417	-	-

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Expected maturities

	Total Cash Outflow		3 months	3-12 months	1-5 years
	Book Value	Due to Contracts			
Trade payables	138.149	138.372	103.373	34.999	-
Other payables	7.524	7.524	7.524	-	-

As of 31 December 2013;

Contractual maturities

Financial Liabilities Other than Derivatives

	Total Cash Outflow		3 months	3-12 months	1-5 years
	Book Value	Due to Contracts			
Bank borrowings	145.064	146.028	53.726	83.660	8.642
Trade payables	15.685	15.685	15.685	-	-
Other payables	1.351	1.351	1.351	-	-

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 JUNE 2014 (Continued)

(Amounts expressed in thousands of Turkish Lira("TL") unless otherwise indicated)

NOTE 30 - FINANCIAL RISK MANAGEMENT (continued)

Expected maturities

	Book Value	Total Cash Outflow			
		Due to Contracts	3 months	3-12 months	1-5 years
Trade payables	217.432	217.662	194.922	22.740	-
Other payables	1.060	1.060	1.060	-	-

Funding risk

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequately committed funding lines from high quality lenders.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the net debt/ (shareholders' equity + net debt) ratio. Net debt is calculated as total borrowings (including borrowings, trade and other payables as shown in the balance sheet) less cash and cash equivalents and deferred tax liability.

As of 30 June 2014 and 31 December 2013 net debt/ (shareholders' equity + net debt) ratio is as follows:

	30 June 2014	31 December 2013
Total borrowings	377.634	402.124
Cash and cash equivalents	(6.532)	(600)
Deferred tax liabilities	2.748	1.162
Net debt	373.850	402.686
Shareholder's equity	281.796	249.915
Shareholder's equity+net debt	655.646	652.601
Net debt/(Shareholders' equity+net debt) ratio	57%	62%

NOTE 31 - SUBSEQUENT EVENT

None.